

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL THREE)

Docket No. RM2022-9

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL THREE)
(July 8, 2022)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, to update and improve the RPW reporting methodology for measuring the country-level totals of contract mailpieces in outbound international product categories bearing permit-imprint indicia, is labeled Proposal Three and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal Three

PROPOSED CHANGE IN RPW METHODOLOGY FOR USE OF INTERNATIONAL PERMIT-IMPRINT AND PC POSTAGE CONTRACT DATA

OBJECTIVE:

The Postal Service requests a change in RPW reporting methodology for measuring the country-level totals of contract mailpieces in outbound international product categories bearing permit-imprint indicia from PostalOne! and PC Postage indicia from postage evidencing systems. The outbound international products affected by this request include Priority Mail International (PMI), First-Class Package International Service (FCPIS), Priority Mail Express International (PMEI), First-Class Mail International (FCMI), International Priority Airmail (IPA), International Surface Airlift (ISAL), and Commercial ePackets (CEPK). For these types of mail, the proposed methodology would utilize census destination country information to replace statistical sampling estimates from the System for International Revenue and Volume, Outbound, and International Origin Destination Information System (hereinafter referred to as SIRVO) along with estimates from Global Business System Dispatch (hereinafter referred to as GBS Dispatch). If this request were approved, it would incorporate more granular census information into the RPW reporting system and allow for more accurate country-level analyses.

BACKGROUND:

Prior Filings Regarding Replacement of Statistical Sampling Estimates

The Postal Service has submitted numerous requests for the replacement of statistical estimates with census data. Recent dockets include: Docket No. RM2014-4

PROPOSAL THREE

(Proposal One) for Self Service Kiosk and PostalOne!–related products of Merchandise Return Service and Business Reply Mail; Docket No. RM2015-15 for Click-N-Ship census data; Docket No. RM2016-1 for tying estimation methodology to letter mail end of-run counts; Docket No. RM2016-7 for introduction of additional census data for international outbound product RPW reporting; Docket No. RM2017-5 for PC Postage extra services census data; Docket No. RM2017-7 for Retail Systems Software PROPOSAL ONE Business Partners census data; Docket No. RM2019-11 for Priority Mail Express International census data; Docket No. RM2020-6 (Proposal One) for PC Postage domestic parcel census data; and Docket No. RM2020-12 (Proposal Five) for PC Postage international noncontract census data. All these filings have been approved by the Postal Regulatory Commission. See Order No. 2101 (June 25, 2014); Order No. 2732 (September 28, 2015); Order No. 2901 (December 18, 2015); Order No. 3377 (June 17, 2016); Order No. 4039 (August 15, 2017); Order No. 4066 (August 24, 2017); Order No. 5280 (October 22, 2019); Order No. 5515 (May 19, 2020); and Order No. 5700 (September 28, 2020).

PostalOne!

The PostalOne! system offers an electronic suite of services designed exclusively for business mailers. The system provides an electronic linkage between a customer's mailing information and Postal Service business mail acceptance and induction processes. The PostalOne! system processes mailing statements and maintains advanced deposit trust funds for mail permits.

PROPOSAL THREE

PC Postage

Postage meters and PC Postage products are collectively identified as “postage evidencing systems.” A postage evidencing system is a device or system of components a customer uses to print evidence that postage has been paid as required. Postage evidencing systems print information-based indicia (IBI) to indicate postage payment. Mailers print indicia directly on a mailpiece or on a label that is affixed to a mailpiece. PC Postage is third-party vendor software approved by the Postal Service that mailers can use to pay for and print postage using a computer, printer, and internet connection. There are several PC Postage vendors. PC Postage payment transactions are recorded in the National Meter Account Tracking System (NMATS).

RPW Reporting of International Permit-Imprint and PC Postage Contract Data

The current RPW methodology for international outbound mail contract activity relies on several census sources in combination with statistical estimates from the SIRVO probability sampling system. The major census sources include PostalOne!, and PC Postage vendor data. SIRVO is a probability-based international outbound mail sampling system used to support the Postal Service's many and varied business needs for mail revenue and volume. SIRVO primarily supplies official RPW estimates of revenue, volume, and weight for single-piece stamped and metered international outbound mail.

Limitations with the Current Methodology

The outbound international portion of the PostalOne! system is composed of business mailer transactions recorded on PS Form 3700, Postage Statement—International Mail. PostalOne! outbound international data are organized by month,

PROPOSAL THREE

product (First-Class Mail International, First-Class Package International Service, etc.), shape (letters, flats, etc.), and price group. The definition of a price group varies depending on the product and shape. Some price groups contain a single destination country (most notably, Canada) while others contain multiple countries. Because country-level detail cannot be obtained directly from the PostalOne! system, approximations are developed using aggregated GBS Dispatch data and expanded SIRVO sample data of permit-imprint mail. These country-level approximations are summed to national totals for RPW reporting purposes. The SIRVO system produces point estimates with sampling error, and unintended recording errors could impact country-level precision. The country-level approximations do not affect the reliability of RPW national totals, but they do impact analyses of international outbound mail which rely on country-level detail; in particular, analyses of Negotiated Service Agreement (NSA) contracts.

The primary data source of international PC Postage data used for RPW national totals are reports from the Accounting Data Mart, or ADM. Data are organized by month, product, shape, vendor, and destination country. Contract PC Postage data used for RPW national totals come from a secondary NMATS report which is aggregated to month, product, and shape (i.e., collapsed over all contracts and all destination countries). Because country-level detail cannot be obtained directly from this secondary NMATS report, approximations are developed using data from the primary NMATS report. Again, these country-level approximations do not affect the reliability of RPW national totals, but they do add imprecision to analyses of international outbound mail which rely on country-level detail; notably, analyses of NSAs.

PROPOSAL THREE

PROPOSAL:

As noted in Docket No. RM2020-12 for PC Postage census for non-contract pieces, the Postal Service seeks to use new census data sources that have now become available.¹ The proposed RPW methodology would utilize granular census data for permit-imprint and PC Postage contract mail pieces. For permit-imprint contract pieces, two auxiliary data sources would be used. For PostalOne! customers who use the Electronic Verification System (eVS),² destination-country information would be obtained from manifest information. For other PostalOne! customers, destination-country information would be obtained from barcodes of mailer-prepared receptacles in the GBS Dispatch system. Permit-imprint number would be used to match the eVS and barcode information to individual contract. For PC Postage contract pieces, destination-country information would be determined from a disaggregated NMATS report containing activity by individual contract and product.

RATIONALE:

The proposed change in methodology would have no effect on the national totals of outbound international contract mail pieces reported in RPW. However, by harnessing contract-specific destination-country information from PostalOne! and PC Postage auxiliary data sources, the same data used for RPW national totals could also

¹ See Proposal Five, Docket No. RM2020-12 (August 5, 2020), page 4.

² eVS allows high-volume package mailers and package consolidators to document and pay postage using electronic manifest files. The files are transmitted over the internet to a Postal Service database. eVS mirrors the existing manual manifest process but does so electronically.

PROPOSAL THREE

be used for more precise analyses of individual NSAs. Using these data sources will eliminate the impact of sampling error and GBS approximations, and one would expect to have equal or improved country-level data quality.

IMPACT:

As noted above, this proposal would have no *direct* effects on the national totals of outbound international contract mail pieces reported in RPW. However, because the proposed methodology would change the level of census weight for individual countries, the national totals for products which contain non-census weight (primarily FCMI and FCPIS Retail) would be *indirectly* affected. This is because all census and sample data are controlled to GBS Dispatch weight for each expansion stratum. See the accompanying revised Chapter 7, SIRVO-IODIS document, which was last filed within part 2 of USPS-FY21-NP5, with Proposal Three changes identified in bold.³

As a measure of the impact of this proposal, the international outbound portion of FY 2022 Q2 YTD RPW report was produced using the granular contract data compared to the original FY 2022 Q2 YTD report. Attachment A at the end of this document shows the proposed methodology compared to the current methodology. In addition to these columns, the report shows the amount of the change and the percentage change to the current method.⁴

³ This documentation is included under seal as part of USPS-RM2022-9-NP1, and has been updated to incorporate the use of country-level NSA data in order to show how the Postal Service anticipates the document would appear in future versions of folder NP5 if the Commission approves this proposal.

⁴ The public version of Attachment A appears at the end of this Proposal (with the Excel spreadsheet attached electronically). The Postal Service is also separately filing under seal (as part of USPS RM2022-9-NP1) a restricted version of Attachment A that

PROPOSAL THREE

Attachment A shows the FY 2022 changes by major international outbound mail category. The *indirect* effects of the proposal would cause small changes to Outbound First-Class Mail International (1.6 percent decrease in revenue and 2.2 percent decrease in volume) and First-Class Package International Service Retail (0.5 percent increase in revenue and 0.6 percent increase in volume). Other international categories would have smaller *indirect* effects: US. Postal Service Mail, Free Mail, and International Ancillary Services. Overall, outbound international revenue and volume for Quarters 1 and 2 of FY 2022 would be reduced by 0.2 percent and 1.3 percent, respectively.⁵

In summary, the proposed approach will result in the improved reporting of PostalOne! and PC Postage contract revenue and volume in terms of the measures of precision at the destination-country level. The new system will allow for more granularity in the underlying report data.

disaggregates data pertaining to competitive products following the adopted format used in the public report. The nonpublic version filed under seal thus provides additional data for the confidential categories.

⁵ Because of the constrained nature of the comparison exercise conducted (i.e., limited to examination of the international outbound portion of the RPW), other indirect effects will ultimately be spread over other types of mail not included in this exercise. Their cumulative effects appear in the Total rows at the bottom of Attachment A (public Excel rows 47-51), and would be essentially immaterial once spread over the many other types of mail and services in order to allow total revenue to once again tie out to book revenue.

Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of International Outbound Mail and Special Services for FY22 Q1-Q2
(Data in Thousands)

Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY22		Change		FY22		Change		FY22		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
Market Dominant:												
First-Class Mail:												
Outbound First-Class Mail International	105,289	106,953	(1,663)	(1.6)	64,610	66,036	(1,427)	(2.2)	3,235	3,275	(40)	(1.2)
U.S. Postal Service Mail	0	0	0	0.0	40	40	1	1.5	31	31	1	2.4
Free Mail	0	0	0	0.0	19	19	0	0.6	18	18	0	0.2
Total Market Dominant Mail	105,289	106,953	(1,663)	(1.6)	64,669	66,095	(1,426)	(2.2)	3,284	3,324	(39)	(1.2)
Ancillary Services:												
International Ancillary Services	4,418	4,418	0	0.0	335	335	(0)	(0.1)				
Total Market Dominant Services	4,418	4,418	0	0.0	335	335	(0)	(0.1)				
Total Market Dominant Mail and Services	109,707	111,371	(1,663)	(1.5)								
Competitive:												
International Mail:												
Outbound Priority Mail International	143,976	143,973	2	0.0	2,070	2,070	0	0.0	13,334	13,333	1	0.0
Outbound International Expedited Services	57,653	57,653	0	0.0	590	590	0	0.0	3,459	3,459	(0)	0.0
Other Outbound International Mail	269,361	269,070	291	0.1	38,684	38,672	12	0.0	27,351	27,337	14	0.1
Inbound International	480	480	0	0.0	61	61	0	0.0	18	18	0	0.0
International Mail Fees	0	0	0	0.0								
Total International Mail	471,470	471,177	293	0.1	41,405	41,393	12	0.0	44,162	44,147	15	0.0
Ancillary Services:												
International Ancillary Services	437	437	0	0.0	26	26	0	0.0				
Total Competitive Services	437	437	0	0.0	26	26	0	0.0				
Total Competitive Mail and Services	471,907	471,614	293	0.1								
Total Market Dominant and Competitive:												
Total All Mail	576,759	578,129	(1,370)	(0.2)	106,074	107,487	(1,414)	(1.3)	47,446	47,471	(25)	(0.1)
Total All Services	4,855	4,855	0	0.0	361	361	(0)	(0.1)				
Total All Mail and Services	581,614	582,984	(1,370)	(0.2)								
Total All Other Revenue	0	0	0	0.0								
Total All Revenue	581,614	582,984	(1,370)	(0.2)								